EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE MARCH 19, 2014 PENSION BOARD MEETING

1. Call to Order

   Chairman Mickey Maier called the meeting to order at 8:30 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present	Members Excused
Laurie Braun	
Dr. Brian Daugherty (Vice Chair)	
Aimee Funck	
Norb Gedemer	
Marilyn Mayr	
Dr. Sarah Peck	
Patricia Van Kampen	
Vera Westphal	
Mickey Maier (Chairman)	

   Others Present
   Marian Ninneman, CEBS, CRC, ERS Manager
   Mark Grady, Deputy Corporation Counsel
   Daniel Gopalan, Fiscal Officer
   Kathryn Vorisek, FMA Fiduciary Management Associates, LLC
   J. Allen Gray, Silvercrest Asset Management Group
   Ray Caprio, Marquette Associates, Inc.
   Fatrena Hale, Milwaukee County Employee
   Yvonne Mahoney, Retiree
   Steven Huff, Reinhart Boerner Van Deuren s.c.

3. Chairman's Report

The Chairman first asked Ms. Ninneman to provide an update on the upcoming employee election for Ms. Westphal's seat, whose term expired on February 28, 2014.

Ms. Ninneman reported that Ms. Westphal and one other candidate were scheduled to participate in the upcoming April election. However, because the other candidate has formally withdrawn and Ms. Westphal has expressed her desire to serve a subsequent term, the election will not occur and Ms. Westphal will retain her seat.

The Chairman next stated that this is the final meeting for himself and Dr. Peck. The Chairman expressed his appreciation for the opportunity to serve the Board, noting his experience throughout the years has been both interesting and rewarding. The Chairman also noted his appreciation to the Board for their dedication in maintaining the quality of the Fund through ensuring above average returns on investments with below average risk and fees, and ensuring benefits to members are paid correctly and denied when appropriate through compliance with ERS's Rules and Ordinances.

Dr. Peck then expressed her agreement with the Chairman's sentiments and thanked the Board for her positive experiences on the Board and as Chair of the Investment Committee.

Dr. Daugherty then presented plaques to the Chairman and Dr. Peck in recognition and appreciation of their many years of dedicated and outstanding service to the Board, the community, and the employees and retirees of Milwaukee County. Dr. Daugherty added that the service of Mr. Maier and Dr. Peck has been invaluable and they will both be missed.

4. Minutes—February Pension Board Meeting

The Pension Board reviewed the minutes of the February 19, 2014 Pension Board meeting.

The Pension Board unanimously approved the minutes of the February 19, 2014 Pension Board meeting. Motion by Dr. Daugherty, seconded by Ms. Mayr.

5. Investments

(a) Silvercrest Asset Management Group

John Gray distributed a booklet containing information on the investment management services provided by Silvercrest for ERS.

Mr. Gray first provided an organizational overview of the firm. Mr. Gray reported that the firm's co-founder, Chairman and Chief Executive Officer, G. Moffett Cochran, had been battling cancer for quite some time and passed away in November of 2013. Mr. Gray noted that while the firm was very saddened by Mr. Cochran's passing, they were able to have contingency plans in place and Silvercrest's Board of Directors has appointed Richard R. Hough III as replacement President and CEO. Mr. Hough worked very closely with Mr. Cochran throughout the years, initially as one of the firm's founding members in 2002. Mr. Hough began as the firm's managing director, eventually advancing to President and Chief Operating Officer, before his appointment as the firm's CEO. Because of Mr. Hough's long-standing history, the transition has been virtually seamless and Silvercrest will continue to operate with no changes to the firm's investment philosophy. Beyond the one senior management change, there have been no further changes to the composition of the firm's investment team.

Since ERS's inception with Silvercrest in October 2013, there has been a great deal of turnover transitioning the account into the portfolio. During the transitional period, Silvercrest was able to efficiently process the transfer, with approximately 87% of commissions generated through the commission recapture program. Since the close of the transitional period, commissions generated through the commission recapture program are averaging around 24%, which should be closer to the average going forward.

Mr. Gray next provided an overview of ERS's portfolio. The portfolio's ending value as of February 28, 2014 is slightly over $57 million. Since inception on September 30, 2013, appreciation in the portfolio was just under $3.5 million and dividends at $309,000.

Mr. Gray then reviewed performance. In terms of relative performance, the portfolio has been off to a slow start. During the first three days of the account transition, the market was extremely volatile. On the first day Silvercrest was selling the exchange-traded fund ("ETF") and purchasing the portfolio, the market was up 110 basis points and, consequently, lost some ground during the transition. On the second day of the transition, the market was down 110 basis points, allowing Silvercrest to regain some of previous day's loss. The net effect of the portfolio's three-day transitional period was approximately 86 basis points down. Much of the relative underperformance during the fourth quarter of 2013 was a result of the account transition and simultaneous volatility in the market.

Mr. Gray then noted that volatile market environments such as the one that occurred during the fourth quarter, do concern Silvercrest because of their investment philosophy. In general, Silvercrest does not take the kind of risk necessary to compete in a market that is going up approximately 36% in one year. In the first five months that ERS's portfolio has been in place, the market has been up 10%. While Silvercrest is pleased with the portfolio's performance to date, most of the relative value is typically added during more stabilized market environments.

Mr. Gray next discussed the portfolio's positioning. Silvercrest is pleased with the current diversification in the portfolio. Silvercrest's investment philosophy dictates ownership of at least 50% in each of the nine economic sectors, as delineated by the Russell 2000 Value Index, and no more than 200%. Lower volatility is the result of the increased diversity. However, individual stock selection with high quality companies is what allows Silvercrest to add value for its clients over time. Because higher quality companies need the value of time to prove their worth, Silvercrest is confident that ERS's portfolio will favorably outperform the benchmark within the next three to five years.

The portfolio's top five holdings by sector are in financial services, producer durables, technology, health care, and materials and processing. There have been multiple purchases and sales since October 1, 2013. The majority of these sales were eliminations of positions that had reached their level of valuation in terms of Silvercrest's investment philosophy. Silvercrest successfully owned these companies for multiple years, but they had reached their peak valuation and were trimmed or sold entirely to bring new companies into the portfolio.

In response to a question from the Chairman regarding the portfolio's average rate of turnover, Mr. Gray stated that including the transition, turnover is currently running around 37%, but the overall turnover is generally anticipated to average between 25% and 35%.

In response to a question from Ms. Van Kampen, Mr. Gray stated that the portfolio is benchmarked to the Russell 2000 Value.

Mr. Gray continued with a review of the portfolio's statistics. As of February 28, 2014, the portfolio's debt to capital ratio is at a favorable 18.4%. Debt to capital ratios have improved for all companies and with strong balance sheets and high cash flow, corporate America is currently in great shape. Top line sales growth is somewhat muted, however, with a decrease in mergers and acquisitions activity, particularly in the smaller company space. Silvercrest does believe this trend will eventually rebound with time, as historically, 5% to 6% of its portfolio turns over annually due to mergers and acquisitions. The median return on invested capital (ex-financials) is at 11.2% as of February 28, 2014. Silvercrest utilizes this figure as a measurement of the quality of their business over time, with a desired spread in the 300 to 500 basis point range. With the Russell 2000 Value Index currently at 7.8%, Silvercrest is pleased with 11.2%.

In response to a question from the Chairman regarding Sensient Technologies Corporation, Mr. Gray stated that at this time Silvercrest has no real concerns regarding an ongoing attempt to restructure the corporation. Silvercrest felt from the beginning that Sensient was an undervalued and well-managed corporation, and believes they will continue to grow, regardless of the result of the reorganization attempt.

In response to a follow-up question from the Chairman, Mr. Gray confirmed that Knoll, Inc. is an office furniture manufacturing company that has taken a recent hit with the governmental slowdown. However, Silvercrest believes that Knoll will capture additional business growth opportunities in the commercial construction sector, as business expansion continues in the economy.

In response to a question from Ms. Van Kampen regarding Silvercrest's valuation factors, Mr. Gray stated that Silvercrest builds a valuation model for each company in the portfolio. Because most companies operate on an earnings basis, Silvercrest's valuation model will project a four-year earnings objective based on top-line sales, margins for sales growth and other factors to measure a company's four-year earnings objective. Relevant valuation metrics are then applied to each of the earnings objectives to obtain a four-year price objective. Silvercrest will then discount that price objective back to today to compute a net present value through the application of a three-step discount rate process.

Silvercrest will not add any company to the portfolio that is not trading below their view of its current and present value. When a company exceeds 15% to 20% of that value, Silvercrest will trim or sell those candidates from the portfolio. Silvercrest will then search for another company trading below its net present value in a sector where additional exposure is needed.

In response to a question from the Chairman, Mr. Gray stated that Silvercrest's total discount rate can range from as low as 8% for utilities to as high as 12% for technology companies.

Mr. Gray concluded with a discussion of the market outlook. During early 2014 there was some downward movement in the market. The portfolio is currently in the range of 13% to 14% undervalued, which is in the middle range of the portfolio's historic net present value. Silvercrest is currently comfortable with this figure, which still provides plenty of space for upside potential.

(b) FMA Fiduciary Management Associates

Kathryn Vorisek of Fiduciary Management Associates distributed a booklet containing information on the investment management services provided by FMA for ERS. Ms. Vorisek introduced herself as the firm's Chief Investment Officer and lead portfolio manager for small and SMID cap strategies.

Ms. Vorisek first provided a brief overview of the firm. FMA is an independent, 100% employee-owned firm based in Chicago. FMA currently manages $1.7 billion in total assets, with $1.5 billion in the small cap strategy and $200 million in the SMID cap market. FMA is predominantly a relative value manager, with a dual-focused investment philosophy on valuation and catalyst driven growth.

FMA did have one ownership change during the fourth quarter of 2013 when the firm added a sixth partner, Candice Melcher. Ms. Melcher has been with the firm for nine years and is currently its Chief Compliance Officer. FMA also added a third full-time trainer to the team during the fourth quarter of 2013. FMA is currently pursuing the addition of another team analyst, as they anticipate further growth in the SMID cap strategy. FMA is targeting additional growth in the financial services sector and wants to ensure the appropriate analysts are in place to perform the necessary in-depth analysis and due diligence.

Ms. Vorisek next discussed FMA's positioning strategy. Over any given market cycle, FMA will focus on generating approximately 200 basis points of outperformance relative to the benchmark, while taking a risk profile that is approximately 80% to 85% of the primary Russell 2000 Value Index.

In response to a question from the Chairman, Ms. Vorisek stated that in the current market cycle, the portfolio is outperforming the Russell 2000 Value Index by approximately 5%. In terms of FMA's risk profile graph, this places it in the northwest quadrant of higher returns with less risk.

Ms. Vorisek then discussed the current market environment. As of February 28, 2014, the small cap market has realized tremendous gains since the market trough of March 2009. In terms of what is next for the market cycle after such multiple periods of expansion, FMA is hopeful that the positive returns will continue for the next two to three years. FMA does predict that stabilization will occur in the small cap market within the next several years. As a result, returns should even out to a more normal range of 7% to 10%, increasingly driven by earnings growth.

Ms. Vorisek continued with a discussion of relative valuation. FMA believes the small cap market is fairly well valued at this point, however, earnings growth should continue to accelerate for the next few years. This should continue to provide opportunities for valuations to hold earnings growth and drive the market even higher. FMA also predicts some sector rotation will continue from fixed income to equity securities, which should also help fuel additional gains predicted throughout the next several years.

In response to a question from Mr. Caprio regarding the recent market volatility, Ms. Vorisek agreed that 2014 has the potential to be a somewhat difficult and transitory year for the small cap market. In the three months since the market highs in early January, there has been an 8% decline, followed by a 10% rally. FMA does predict an increased volatility in returns, at least for the next several months, and would not be surprised to see another pullback in the market. However, as stocks grow into their valuations and earnings begin to accelerate, there should be an upward trajectory during the latter half of 2014. The severe winter weather during the early months of 2014 has undoubtedly had a slowing effect on many sectors of the economy. It is hoped that improving weather, together with continued employment growth, will have an additional stimulating effect on the economy.

The status of the Chinese economy is an area of perceived risk which may create a greater slowdown in emerging markets. Another area of concern is how the new Fed chair will manage the communication process around removal of the economic stimulus and a potential interest rate increase. Historically, the appointment of a new Fed chair has generally created a pullback in the market and while a similar effect is likely, it should be relatively short-lived. A final concern involves the somewhat recent political events in Crimea and Russia. With all of these factors in mind, risk management will be more important in 2014 than it has been in the past five years. FMA is very cognizant of these factors and has focused their attention on understanding where perceived risks are in the portfolio from a cyclical and beta standpoint.

Ms. Vorisek then provided a high level overview of the portfolio sectors. Particularly attractive sectors currently include the automotive sector, where production rates continue to look favorable. The commercial aerospace sector also continues to exhibit an increase in production demand, with a wait list as long as several years for new airplanes. Both residential and nonresidential construction also continues to exhibit increased activity in the marketplace. Regional banks are also looking very attractive, with a return to healthy balance sheets and improved loan growth. As the economy continues to expand, these are all areas that should continue to perform favorably in the portfolio. The portfolio currently has a significant overweight in industrial cyclicals, anchored by producer durables. FMA has discovered a great deal of favorable investment opportunities within this sector, including some very attractive niche opportunities. There is also some exposure to technology and healthcare in the portfolio, and both of these sectors have performed favorably in the last year. Financials, utilities and consumer groups are all areas that FMA believes are currently overvalued, and, therefore, are currently underweighted in the portfolio.

Ms. Vorisek concluded with a discussion of performance. Since its inception with ERS in 2009, FMA has outperformed relative to the Russell 2000 Value Index four out of five periods, with the exception of 2012. In 2013, the portfolio was up 200 basis points and gains are continuing into 2014. Year-to-date, the portfolio is up almost 4% versus the index¸ which is up at 3%. Since inception in October 2009, total returns are just slightly under 17%.

The 2012 phenomenon of lower quality companies outperforming higher quality companies continued throughout 2013. FMA believes that as interest rates rise, higher quality companies should end up outperforming lower quality companies within the next several years.

In response to a question from the Chairman regarding Manitowoc Company, Ms. Vorisek stated that FMA was forced to sell Manitowoc four weeks ago due to market cap restrictions. This was a very successful stock in the portfolio, however, FMA has a discipline of holding securities valued up to $3.5 billion in the portfolio. Despite the market cap restrictions, FMA likely would have sold Manitowoc due to their extended valuations. FMA does hold a very positive view on the construction business at this time and purchased H&E Equipment Services two years ago. H&E is a small rental company and purchaser of cranes and other construction equipment. FMA continues to review additional favorable opportunities in the construction sector to further enhance the portfolio.

(c) Marquette Associates Report

Ray Caprio of Marquette Associates, Inc. distributed and discussed the February 2014 monthly report.

Mr. Caprio first discussed the Fund's asset allocation relative to the broad public fund universe. There are approximately 250 public pension funds in the broad public pension fund universe. Relative to its peer group, ERS has a significant underweight in U.S. stocks of approximately 12%, while international equities are overweight by approximately 6%. This equates to a net underweight in stocks of approximately 6%, relative to the Fund's peer group. The underweight in stocks is intended to decrease the overall risk in the Fund. In order to compensate for the underweight, Marquette has progressively reduced the Fund's fixed income allocation, replacing it with alternative assets such as real estate and infrastructure. These alternative asset classes are currently producing healthier returns with decreased risk, compared to the traditional stock market. In years such as 2013, when the stock market was up by 30%, the Fund's underweight in stocks will appear to have an adverse effect on the Fund's overall ranking relative to its peers. However, Marquette has strategically positioned the portfolio to obtain increased income from alternative asset classes and is comfortable with the way the portfolio is currently positioned relative to the peer group. Most recently, Marquette has been researching additional avenues to increase the Fund's private equity allocation.

Mr. Caprio next discussed annualized performance. As of December 31, 2013, the total Fund composite was up 15.3% year-to-date, net of fees, outperforming the policy benchmark by 400 basis points. This favorable absolute return ranks ERS in the 45th percentile of the public pension fund universe, placing it well above the median. Marquette is very pleased with this ranking despite the fact that the Fund is more conservatively positioned relative to its peers and the 2013 rally in the stock market. The Fund is well above the 8% actuarial rate of return over all annualized time periods, with the exception of the seven-year and ten-year figures.

Mr. Caprio then discussed the February flash report. Silvercrest Asset Management remains on alert for organizational issues due to the death of its co-founder and CEO several months ago. Marquette is comfortable with the subsequent change in management and recommends removing Silvercrest from alert status.

The Pension Board unanimously approved removing Silvercrest Asset Management from alert. Motion by Dr. Peck, seconded by Ms. Braun.

Mr. Caprio continued with a discussion of market value. The total market value of the Fund as of February 28, 2014 was a little over $1.8 billion. Funds for monthly cash flow needs were withdrawn from overweights in the portfolio, which for the past 18 months has primarily been in equities. Marquette has been actively working to rebalance the portfolio to align with the policy asset allocation targets. Marquette is comfortable with the Fund's current asset allocation and has no rebalancing recommendations at this time.

Mr. Caprio then provided an update on the private equity portfolio. ERS was able to gain entry to the Adams Street 2014 Direct Fund. Marquette is in the process of finalizing the contracts and anticipates capital calls from Adams Street shortly after the contracts are complete.

Mr. Caprio next discussed performance. February was a solid month for performance after the January downturn. The total Fund composite one-month return was 2.9%, net of fees, while the year-to-date figure stands at 1.4%, net of fees. With extremely low interest rates, bonds are even less attractive than last year and Marquette is pleased with the timing on lowering the Fund's bond allocation. In terms of performance, bonds are relatively in line with the benchmark at 0.5%, while U.S. equities are slightly below, at 4.3% year-to-date, versus 4.6%. The international equity composite is up nicely at 1.6% year-to-date, versus the benchmark at 0.3%. Hedge funds protected assets nicely in January and benefited from the February market rally. Marquette is confident that hedge funds will remain an attractive asset class throughout 2014. Real estate is not yet fully reported, but Marquette anticipates favorable returns within a range 7% to 9% during 2014. Income generated from UBS, Morgan Stanley and American Realty, as well as infrastructure, is currently being utilized to satisfy cash flow needs. Both infrastructure and private equity are not yet fully reported.

Under U.S. equity, Artisan Partners was up with a one-month figure of 6.5%, versus the benchmark at 6.3%. Fiduciary Management also outperformed the benchmark by 30 basis points at 4.9%. Geneva Capital, mid cap growth underperformed significantly and was down 4.4%, versus the benchmark at 6.3%. Marquette's research department issued a report last year regarding the underperformance of quality mid cap growth managers. During 2013, conservative, quality-focused managers such as Geneva were not as successful as managers that focused on unprofitable companies. Unprofitable companies in the Russell Mid-Cap Growth Index were up 68% on average in 2013, versus 36% for companies with actual profits. Tesla Motors, for example, was up 300% in 2013. Based on Marquette's research, Geneva's underperformance is not a complete surprise, but Marquette will continue to monitor them closely.

In response to a question from Ms. Van Kampen, Mr. Caprio stated that the significant underperformance of quality mid cap growth managers has continued into 2014.

Mr. Caprio continued by noting that returns under the international equity composite have been favorable, with Vontobel, GMO and OFI all outperforming significantly during the month of February, as well as year-to date. Hedged equity also had favorable returns for the month of February and protected well in January.

Mr. Caprio next reviewed the status of the private equity request for proposal ("RFP"). Marquette is currently crafting two separate private equity RFPs. One RFP will focus on a general fund of funds allocation, while a second RFP will target mezzanine financing. Marquette would like to create a list of solid candidates from each group and then determine the most favorable option for investing the $40 million designated for additional private equity investments. The RFPs should be completed and ready for presentation at the next Investment Committee meeting.

Mr. Caprio next discussed the cash overlay and beta transition manager RFP. Marquette recently received notification from BNY Mellon that BNY will be exiting the cash overlay and beta transition management trading business effective April 30, 2014. BNY is issuing a two-month extension for servicing existing clients through June 30, 2014. Therefore, ERS must now issue an RFP for a replacement cash overlay and beta transition manager.

In response to a question from the Chairman, Mr. Caprio stated that BNY did not provide Marquette with any further details regarding their decision to exit the cash overlay and beta transition management business.
Mr. Caprio expressed his surprise that BNY did not raise the issue during BNY's presentation to the Board last month.

The Pension Board unanimously approved authorizing Marquette Associates to conduct a search for a replacement cash overlay and beta transition manager. Motion by Ms. Braun, seconded by Ms. Van Kampen.

In response to a question from Ms. Van Kampen regarding the BNY RFP replacement timing, Mr. Caprio stated that the entire cash overlay and transition management RFP process should be relatively short, due to the limited pool of suppliers. J.P. Morgan has also recently exited the transition management business and therefore, is no longer a replacement option. Marquette will prepare a short list of three to four candidates for presentation at an upcoming Investment Committee meeting.

6. Investment Committee Report

There was no Investment Committee Report because the March 3, 2014 meeting was cancelled.

7. Disability Matters

(a) Fatrena Hale

In open session, the Chairman stated that the Ms. Hale's application was received by the Medical Board and recommended for approval. The Chairman stated that he reviewed the application and did not have any further questions. In response to a question from the Chairman, no other member or Ms. Hale had any further questions that would require entering into closed session.

The Pension Board unanimously approved granting the accidental disability pension application based on the Medical Board's determination. Motion by Dr. Daugherty, seconded by Ms. Westphal.

8. Reports of ERS Manager and Fiscal Officer

(a) Retirements Granted, February 2014

Ms. Ninneman presented the Retirements Granted Report for February 2014. Twenty-four retirements from ERS were approved, with a total monthly payment amount of $29,602. Of those 24 ERS retirements, 14 were normal retirements, 9 were deferred and 1 was an accidental disability retirement. Seven members retired under the Rule of 75. Fourteen retirees chose the maximum option, and 5 retirees chose Option 3. Nine of the retirees were District Council 48 members. Ten retirees elected backDROPs in amounts totaling $925,027.

(b) ERS Monthly Activities Report, February 2014

Ms. Ninneman presented the Monthly Activities Report for February 2014. ERS and OBRA combined had 8,020 retirees, with a monthly payout of $13,257,108.

Ms. Ninneman then stated that 29 members terminated employment in February and 23 withdrew their member contributions. Once a vested member chooses to receive a refund of his or her employee contributions, that member also forfeits their years of credited service in ERS and, therefore, any right to a future pension benefit from ERS.

Ms. Ninneman then noted that mailings were sent out approximately two weeks ago regarding the recently amended Ordinance, which extended the period for a terminated member to request a refund of member contributions from 60 days to 180 days. As a result of the mailings, ERS is receiving a large volume of phone calls and return mailings. The results to date seem to indicate that a large number of affected members are opting to maintain their member contribution accounts with ERS. It is expected to take several more weeks for ERS to review all of the return responses from the mailings.

In response to a question from Dr. Daugherty, Ms. Ninneman confirmed that the 180-day period is retroactive in some respects.

Ms. Ninneman next discussed the V3 upgrade. The new project manager is now in place and has written project plans that summarize all of the 17 outstanding issues and 6 change orders necessary to complete the V3 system upgrade. The project manager will now begin creating timelines for review of all system specifications to be completed prior to the development of project plans for the system upgrade.

(c) Fiscal Officer

Mr. Gopalan first discussed the February 2014 portfolio activity report. ERS closed out the Russell 2000 Index Fund which had been holding leftover funds from the termination of AQR last year. Those funds were subsequently transferred into ERS's general cash account. There was a capital call from Adams Street for $500,000 and Siguler Guff for $1.6 million.

Mr. Gopalan continued with a discussion of the February 2014 cash flow report. Benefits for the month of February were paid out of available cash in the general cash account. ERS received the finalized schedule regarding

County contributions, which are just slightly under $23 million for 2014. In March 2014, ERS received County contributions in the amount of $3 million for ERS and $360,000 for OBRA.

Mr. Gopalan next discussed the 2014 second quarter funding request. It is anticipated that cash flow needs will be $16 million each for the months of April, May and June.

In response to a question from the Chairman, Mr. Gopalan stated that the amounts currently requested are fairly consistent with the past, which generally range from $15 to $17 million per month.

The Pension Board unanimously approved the liquidation of assets to fund cash flow of $16 million for April 2014, $16 million for May 2014, and $16 million for June 2014. The amounts should be withdrawn from investments designated by Marquette. Motion by Ms. Van Kampen, seconded by Ms. Funck.

Mr. Gopalan concluded with a discussion of County reimbursement for 2013 administrative expenses. Mr. Gopalan explained to the members of the Board that throughout the year the County will pay specific administrative expenses on ERS's behalf, and the County reimbursement request is representative of ERS's repayment of such expenses. The 2013 total was $1,289,343.77.

In response to a question from Ms. Braun, Mr. Gopalan stated that no unusual County reimbursement expenses were backed out for 2013. One expense typically backed out each year is the administrative fee ERS is paid for processing some State employee contributions.

The Pension Board unanimously approved reimbursing the County $1,289,343.77 for County paid administrative expenses in accordance with Ordinance section 201.24(8.8). Motion by Dr. Daugherty, seconded by Mr. Gedemer.

9. Audit Committee Report

Ms. Westphal reported on the March 5, 2014 Audit Committee meeting. The Audit Committee discussed the 2013 Baker Tilly audit for the duration of the meeting.

Wayne Morgan, Darlene Middleman and Jessica Jochman from Baker Tilly Virchow Krause discussed the 2013 ERS audit process and reviewed the contents of the pre audit communication letter. Ms. Morgan reviewed the responsibilities of Baker Tilly and the Pension Board members. Baker

Tilly auditors will be onsite at the Retirement Office beginning April 17, 2014, with plans to present their draft audit at the June 4, 2014 Audit Committee meeting.

Ms. Westphal requested that Baker Tilly notify the Audit Committee of any level of deficiency discovered during the audit.

Ms. Morgan concluded with a discussion of the new pension standard under Governmental Accounting Standards Board ("GASB") Statement No. 67 and its possible future effects for public pension funds.

The Chairman then commented that he expects increased pressure to adjust the actuarial rate of return of governmental pension funds as a result of the GASB changes.

Mr. Grady agreed at the Audit Committee meeting that one of the potential consequences for the Board resulting from the GASB changes is an increased pressure to adjust the Fund's 8% assumed rate of return. The numbers are going to project a greater liability and a lower level of funding status because it is going to assume a lower rate of return. There may be pressure in the future from some who believe that the Fund's current rate of 8% is too high and it should be adjusted down.

Dr. Daugherty then moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes section 19.85(1)(g), with regard to items 10 and 11 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 9-0 to enter into closed session to discuss agenda items 10 and 11. Motion by Dr. Daugherty, seconded by Ms. Braun.

10. Pending Litigation

(a) Stoker v. ERS

The Pension Board took no action on this item.

(b) AFSCME v. ERS

The Pension Board took no action on this item.

(c) Tietjen v. ERS

The Board discussed the matter in closed session.

Upon returning to open session, the Chairman reported that the Board discussed in closed session, the lawsuit James Tietjen has filed against the County and the County Pension Board, based on the Pension Board's denial of Mr. Tietjen's appeal at its September 19, 2012 and October 17, 2012 meetings.

In open session, the Pension Board unanimously approved adopting a resolution to waive attorney-client privilege to the documents listed on the March 4 privilege log, to grant a limited waiver to permit Ms. Ninneman and Mr. Huff to testify in their respective depositions relative to the case demand, and to delegate to the Pension Board Chair or acting Chair, in consultation with Corporation Counsel and outside counsel, the authority to further negotiate waivers of privilege or privilege issues should they arise in the case, attached to these minutes as Exhibit A, effective March 19, 2014. Motion by Ms. Van Kampen, seconded by Mr. Gedemer.

(d) Brillowski & Trades v. ERS

The Pension Board took no action on this item.

(e) AFSCME v. ERS

The Pension Board took no action on this item.

(f) Weber v. ERS

The Pension Board took no action on this item.

11. Report on Compliance Review

The Pension Board took no action on this item.

12. Administrative Matters

In open session, the Pension Board discussed additions and deletions to the Pension Board, Audit Committee and Investment Committee topic lists.

In response to a question from Dr. Daugherty regarding the expiration of Chairman Maier's term and designation of interim acting Chair, Mr. Grady stated that in accordance with ERS Rule 1041(1)(a), the Vice Chair shall serve as the acting Chair until a new chairperson is appointed.

The Chairman then noted to the Board that in consideration of the three additional changes scheduled to the Board's composition over the next few months, members may wish to discuss their respective schedules and ability to attend meetings.

In response to a question from Ms. Braun regarding the timing of the replacement appointments, Mr. Grady stated that the County Executive appointment may have already been made, but there is no final confirmation at this time.

Dr. Daugherty then noted, for quorum purposes, he will be out of the country and unable to attend the May Pension Board meeting. Ms. Westphal noted that she will be unable to attend the April Pension Board meeting.

The Chairman stated that six Board members must be present in order to officially take action at a meeting.

In response to questions from Dr. Daugherty and Ms. Mayr, Ms. Ninneman stated that she has a list of current Board members, when their respective terms expire and any current vacancies. Ms. Ninneman stated she will distribute the list to all Board members.

In response to a question from Ms. Mayr regarding the future topic of assumed rate of return, Mr. Grady stated it should be addressed as part of the upcoming annual actuarial report in May or June.

The Chairman then noted that the Board did ask the actuary during his 2013 annual presentation about adjusting the Fund's 8% actuarial rate of return. At the time, the actuary recommended retaining the 8% rate as it continued to be appropriate and in line with long term returns.

In response to a question from Dr. Daugherty, Ms. Ninneman stated that notices regarding the April 2014 Annual Meeting at the Italian Community Center went out to retirees in the March 2014 newsletter. The Annual Meeting venue will be similar to last year and the meeting is scheduled for 9:30 a.m. In addition to the annual meeting, there may be an abbreviated Pension Board meeting scheduled for 8:30 a.m., subject to the items on the agenda.

13. Adjournment

The meeting adjourned at 10:10 a.m.

Submitted by Steven D. Huff,
Secretary of the Pension Board

EXHIBIT A

Pension Board of the Employees' Retirement System of the County of Milwaukee

RECITALS AND RESOLUTIONS

March 19, 2014

RECITALS

a. Section 201.24(8.1) of the General Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").

b. James Tietjen filed a complaint in the Milwaukee County Circuit Court in Tietjen v. Milwaukee County, et. al. (the "Case") based on the Pension Board's denial of Mr. Tietjen's appeal at its September 19, 2012 and October 17, 2012 meetings.

c. Questions have arisen in the Case with regard to the record for certiorari review.

d. Judge Hansher signed a court order dated March 12, 2014 with respect to the Case (the "Order").

RESOLUTIONS

Effective March 19, 2014, the Pension Board hereby adopts the following:

1. The Pension Board hereby waives attorney-client privilege as to the documents listed on the March 4 privilege log attached to the Order for purposes of the Case only and consents to inclusion of them in the record on certiorari review.

2. The Pension Board also grants a limited waiver to permit Marian Ninneman and Steven Huff, in their respective depositions related to the Case, to discuss the documents on the March 4 privilege log and provide testimony on any recollections of discussions which occurred during the closed sessions on September 19, 2012 and October 17, 2012 as they relate only to Mr. Tietjen's appeal.

3. The Pension Board delegates to the Pension Board Chair or acting Chair, in consultation with Corporation Counsel and outside counsel, the authority to answer or decide any additional privilege issues that arise in the Case.